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EXCHANGE

REF: CANBERRA 1157

Classified By: Political Counselor James F. Cole for reasons 1.4(a), (b), (c) and (d)

Corrected copy to change classification levels of paragraphs 20 and 21.

11. (S//NF) Summary: The 2008 intelligence exchange between the Department of State Bureau of Intelligence and Research (INR) and the Australian Office of National Assessments (ONA) was held in Canberra, Australia on Tuesday, 14 October 2008. The ONA-hosted event covered a wide range of countries and themes, including Iran, Pakistan, Afghanistan, Japan, the Koreas, China, Russia, Indonesia and the Philippines. A/S Randall Fort led the INR delegation, with INR analysts providing opening remarks in the discussions of Iran and Russia and responding to ONA presentations on South and Northeast Asia.

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Courtesy Call with D/DIO  
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12. (S//NF) A/S Fort and POLOF on Monday, 13 October, met with Major General Maurie McNarn, Director of the Australian Defence Intelligence Organization (DIO) and his deputy, Mr. Michael Shoebridge at DIO HQ. The group discussed the capabilities of Japanese intelligence service interlocutors, comparing views based on the INR delegation's recent exchange in Tokyo and those of DIO seniors' and analysts' similar interactions. McNarn agreed that there were signs of progress within the senior levels of the Japanese IC regarding trilateral US-AUS-JPN efforts against countries of mutual concern-particularly within the defense intelligence establishment against such themes as North Korean WMD and China's naval capabilities-but noted that incompatible security standards continued to be a major hindrance precluding more robust collaboration. McNarn and Shoebridge were particularly interested in A/S Fort's comments on INR's role in leading US Intelligence Community efforts within the Comprehensive National Cybersecurity Initiative (CNCI), noting that the Australian intelligence community was "hard pressed" to understand the full extent of the threat, let alone serve in a position to lead the coordination of any interagency mitigation efforts. McNarn said the Defense Signals Directorate (DSD) had "the lead" for Australia in tackling the issue but was more focused on traditional intelligence collection/counterintelligence themes, and that Australian intelligence would need to stay engaged with its US counterparts to share lessons learned in the cyber arena.

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Courtesy Call with DG/ONA  
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13. (S//NF) A/S Fort and POLOF on Tuesday, 14 October, met with Peter Varghese, Director General of the Australian Office of National Assessments, in his office prior to the kickoff of the formal intelligence exchange at ONA headquarters. Varghese made comments similar to those of D/DIO regarding the strengths, weaknesses, and personalities of ONA's Japanese intelligence counterparts. The conversation segued into a discussion of the evolving role of all-source analysis in an environment where senior government officials and other customers had much greater access to information electronically and were increasingly focused on informing, analyzing, and shaping policy options. Varghese asserted that this created an important challenge for ONA and other intelligence services, with relevance in the information age-where "once-secret information was increasingly available through open sources"- determined by the speed and efficiency by which analysts can sift through the volume to highlight "what is important" and put it into context for decision makers.

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Global Overview  
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14. (S//NF) The official intelligence exchange began with each head of delegation providing general introductions of their respective participants and short opening remarks, followed by a "Global Overview" presentation by DG/ONA of Australia's perspective of its security situation and the role of intelligence in informing Australian policymakers in the coming years.

15. (S//NF) Varghese said that ONA was outlining to its customers in the Australian policymaking community a world out to 2030 in which the strategic and economic "Balance of power" was shifting, with the US remaining the preeminent global entity, but facing increasing challenges, especially from emerging or reemerging states like China, Russia, and India. Varghese described the rise of China as the most notable development over the last decade, with an economy on track to become the world's largest by 2020, a rapidly modernizing military that could pose a direct challenge to the US within the region, and an increasingly assertive foreign policy. Varghese described India as "moving from a rhetorical to an interest-based approach" in its international relations-noting that many countries looked to Delhi as the "best option" to serve as a counterweight to Beijing-but cautioned that India's internal social, political, and economic divisions were the greatest impediments to achieving this strategic potential. Varghese said that ONA viewed the US-Japan-China triangular relationship as paramount to the security of Northeast Asia, both in regard to China's rise and the dangers posed by North Korea. Varghese described ONA's "line" on Southeast Asia as "generally doing better than many had expected, but with danger signs in Thailand." In the Middle East, Iran clearly represented the greatest challenge to regional stability-and ONA was focusing most of its attention on Tehran because of it. Varghese asserted that worldwide "Nonproliferation is under stress," citing North Korea, Iran, and Syria as the most recent examples, but terrorism was "a good news story that is getting better, with the violent Islamist threat receding." He concluded with his views on the changing role of international institutions, predicting that as "bilateral approaches reach their limits and multilateralism shows itself unworkable, new institutions that reflect a 'plurilateral' approach will emerge."

16. (S//NF) When pressed on ONA's assessment of terrorism in the Asia-Pacific region, Varghese answered that the growth of Islamic extremism-based movements is constrained, thanks in part to ongoing successes in combined counterterrorism efforts, but more because of societal factors in Southeast Asia that reject the middle-eastern Jihadist model. Varghese and his analysts assessed that Indonesia Islam was "returning to its main course following a detour" driven by personal

linkages to the Global Jihad that were formed in Afghanistan in the 1980s. ONA assessed that al-Qa'ida ultimately has failed to achieve the strategic leadership role it sought within the Islamic world.

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Iran  
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¶7. (S//NF) ONA analysts thanked the INR Iran analyst for his opening comments, which they described as "unconventional," "provocative," and "worthy of further discussion."

¶8. (S//NF) ONA analysts assessed that Tehran "knows" about its lack of certain capabilities, but plays "beyond its hand" very skillfully. ONA analysts commented that Iran's Persian culture was a key factor in understanding its strategic behavior, commenting that a "mixture of hubris and paranoia" pervades Iranian attitudes that in turn shape Tehran's threat perceptions and policies. ONA judged that Iran's activities in Iraq - both overt and covert-represented an extreme manifestation of Iranian strategic calculus, designed to "outflank" the US in the region. ONA asserted that-twenty years of hostility and associated rhetoric aside-regime attitudes "have fairly shallow roots," and the most effective means by which Tehran could ensure its national security would be a strategic relationship with the US via some "grand bargain." ONA viewed Tehran's nuclear program within the paradigm of "the laws of deterrence," noting that Iran's ability to produce a weapon may be "enough" to meet its security objectives. Nevertheless, Australian intelligence viewed Tehran's pursuit of full self-sufficiency in the nuclear fuel cycle, long-standing covert weapons program, and continued work on delivery systems as strong indicators that Tehran's preferred end state included a nuclear arsenal. According to ONA, they are not alone in this assessment, asserting "while China and Russia remain opposed to it, they view Iran's acquisition of nuclear weapons as inevitable." Varghese concluded the discussion, commenting ONA is telling its customers "It's a mistake to think of Iran as a 'Rogue State'."

¶9. (S//NF) ONA seniors and analysts were particularly interested in A/S Fort and INR's assessments on Israeli "red lines" on Iran's nuclear program and the likelihood of an Israeli strike against Iranian nuclear facilities.

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Pakistan-Afghanistan  
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¶10. (S//NF) ONA analysts led the discussion of Afghanistan and Pakistan, asserting that Afghan President Karzai's description of the two countries as "conjoined twins" may be accurate in the fact that "illness in one body affects the other," but his tendency to blame Pakistan for all of Afghanistan's problems ignores reality. ONA assesses that the Taliban is not only resilient-but gaining momentum-and "the insurgents think they are winning." ONA analysts emphasized intelligence trends in cross-border activities, safehavens, and divisions within Pakistani security services that highlight their growing concerns about Pakistan, saying that while it is unlikely to fail, it is becoming more fractured and in danger of breakdowns in central control where the security of Islamabad's nuclear weapons could come under threat. According to ONA, Pakistan's economic downturn threatens its ability to focus on counterterrorism, mass unrest, and territorial governance. On a positive note, ONA assessed that "opportunities exist at the tribal level, where the state is unwilling or unable to achieve and/or sustain presence" to engage on common security concerns-noting that while Pakistan's tribal areas were not directly comparable to those in Iraq, some "lessons learned" could be applied in winning the support of the local populace. ONA concluded its presentation by posing an open question of the degree to which the Taliban will have some role in

Afghanistan's future, given Karzai's outreach under the rubric of "reconciliation."

¶11. (S//NF) Varghese commented that in personal meetings and intelligence exchanges with ONA and other Australian services, Pakistani General Kayani continually comes across as ambivalent on the issues of counterterrorism and counterinsurgency, reiterating that India remains the core mission-and priority-of the Pakistan defense and intelligence establishment. ONA assesses that Pakistan's military and security elite view this as "an American war," which combined with a very hard sense of anti-Americanism combines into "a very dangerous cocktail."

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Northeast Asia  
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¶12. (S//NF) ONA analysts led the discussion of Northeast Asia during a working lunch, providing a regional overview that included China, Japan, Taiwan, the Koreas, Russia, and India. ONA assessed that China, clearly rising to be the region's preeminent power, was focused on a perception management campaign to contain any notions of a "China threat," while Japan was "divided internally" on such basic issues as defining "its own place" in Asia and the modern world-despite its push for a seat on the UN Security Council. ONA viewed the management of the US-Japan alliance as the single most important factor shaping the security of Northeast Asia, whether to balance China, prevent a conflict on the Taiwan Strait, or deter North Korea. ONA viewed the Taiwan Strait situation as "cooling," but stated that the long-term trajectory was negative-especially as Chinese military capabilities grow rapidly in parallel with unmet expectations for a KMT-led government in Taipei "to deliver" on improved ties to the mainland.

¶13. (S//NF) ONA highlighted India as the strategic power-once firmly ensconced in the non-aligned movement-being courted by the US and its allies to balance China's rise, but noted India's social system and economic disparities posed Qnoted India's social system and economic disparities posed unaddressed sources of internal instability that ultimately undermined its near-term effectiveness and long-term potential. ONA assessed that Japan would continue to push for increased engagement and investment in India, but asserted that Japanese cultural chauvanism continued to be an underlying issue that hindered improved economic and security ties with India. ONA argued that China's ability to acquire "strategic depth" was limited by geography, and that this-combined with an export driven economy that demanded access to international energy, resources, and trade networks-constrained its ability to exert an uncontested sphere of influence akin to the US or Soviet Union during the Cold War.

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Russia  
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¶14. (S//NF) ONA analysts concurred with INR analysts' comments on Russia, describing Russia as both "A rising power and a declining state," with a resurgent determination to leverage military force to protect its interests even as demographic trends indicated a diminishing population base from which to support a large-scale military buildup. ONA asserted that demographics were "starting to bite this year," especially in labor sources, and posited that the negative trends in Russia's long-term sustainability were exacerbated by its over-reliance on energy exports for revenues and compounded by increasing economic interdependence with the west. ONA acknowledged that much of its analysis of Russian intent was linked to its focus on the accumulation of power of the former President and the "securicrats," commenting that ONA had "gotten to know Putin very well over the last few years" and that he "set the tone" for Russia's actions at home and abroad.

¶15. (S//NF) ONA described the Baltic states and Ukraine as "countries that are in Russia's sights," with the dangerous similarities in Moscow's view of the ethnically Russian population and strategic geography of Crimea to those which motivated its recent actions against Georgia.

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Southeast Asia  
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¶16. (S//NF) ONA analysts described their outlook for Southeast Asia as "fairly benign," as the region was generally stable and its states were unlikely to come in to conflict with one another in the near term. ONA flagged Thailand's ongoing political crisis as the most troublesome development, observing that current events were driving the country to a boiling point and that it would "will have to make a choice" between democracy-warts and all-and a coup culture reliant upon the of an increasingly fragile monarchy for unity and legitimacy. ONA assessed that the PAD's objectives-to force the government from power via the military and monarchy-are grounded in a widely-shared view that democratically elected officials cannot resist corruption within the current system, suggesting a cycle of dysfunction with no signs of improvement short of royal intervention or revolutionary change. The political climate in Bangkok was a major distraction for Thailand's military and elites, which bodes poorly for the prospects of containing and defeating the southern insurgency, which was increasingly demonstrating a sophisticated cell structure and lethal, well-coordinated terror tactics.

¶17. (S//NF) Turning briefly to Malaysia, the Australians said that Singapore's intelligence services and Lee Kuan Yew have told ONA in their exchanges that opposition leader Anwar "did indeed commit the acts for which he is currently indicted," citing unshared technical intelligence. ONA assessed, and their Singapore counterparts concurred, "it was a set up job-and he probably knew that, but walked into it anyway."

¶18. (S//NF) ONA analysts assess "the tide has turned" on Jemaah Islamiyah in Indonesia, noting that its leadership has been devastated-with most seniors killed, captured, or on the run-and that it has lost its local support networks and funding. ONA judged JI was shifting near term goals to its local, vice global/anti-western, interests while otherwise "creeping back to the shadows" and focusing on survival. JI would endure and regenerate over the long term, albeit as a more localized terrorist threat. ONA and the National Threat Assessment Center (NTAC) of the Australian Security Intelligence Organization (ASIO) agreed that the QSecurity Intelligence Organization (ASIO) agreed that the impending execution of the Bali bombers probably would not precipitate retaliatory terrorist attacks against Western interests, but small scale operations within and against Indonesian government and security were more likely.

¶19. (S//NF) ONA asserted that the success of CT efforts in Indonesia were a "study in contrast" to the ongoing downward slide in the Philippines, where the collapse of the peace process in the South threatened to make this area "the new regional incubator of terrorist Jihadis." ONA terrorism specialists noted signals and human intelligence that JI "structuralists" embedded with the Moro Islamic Liberation Front (MILF) were rethinking plans to return to Indonesia, while JI "freelancers" were becoming more active and better

linked with Abu Sayyaf Group operatives. ONA judged that the Southern Philippines increasingly contained "all the ingredients of al Qa'ida's favored tilling ground."

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Dinner  
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¶20. (S//NF) ONA hosted an official dinner at the Ottoman Restaurant for A/S Fort and his team of INR analysts. Peter Varghese used the dinner as a chance to prompt further discussions on several themes from the exchange, including the likelihood of an Israeli strike on Iran and the long-term impact of Russia's recent military action against Georgia.

¶21. (S//NF) ONA Attendees/Interlocutors:

Peter Varghese DG/ONA  
Brendon Hammer DDG/ONA  
Heather Smith DDG/ONA  
John Besemeres ADG, Americas and Europe Branch  
Harry Genn ADG, North and South Asia Branch  
Peter McDonald ADG, Oceania Branch  
Russ Swinnerton Acting ADG, Southeast Asia Branch  
Ian Parmeter ADG, Middle East and Africa Branch  
Ashton Robinson ADG, Transnational Issues Branch  
Carolyn Patteson ADG, Executive and Foreign Intelligence Coordination Branch  
Aldo Borgu Senior Analyst, Strategic Issue Branch  
Neil Hawkins Senior Analyst, Middle East and Africa Branch  
Jacinta Sanders Senior Analyst, Middle East and Africa Branch  
Derek Lundy Senior Analyst, Strategic Analysis Branch  
Bruce Luckham Senior Analyst, International Economy Branch  
Graehame Carroll Senior Analyst, North and South Asia Branch  
Mike Hillman Consultant, North and South Asia Branch  
Julia Dixon Senior Analyst, Transnational Issue Branch  
Bruce Luckham Senior Analyst, International Economy Branch  
John Phipps Senior Analyst, North and South Asia Branch  
Bill Wise Senior Analyst, North and South Asia Branch  
Roger Hodgkins Senior Analyst, North and South Asia Branch  
Luke Yeaman Senior Analyst, International Economy Branch  
Kyle Wilson Senior Analyst, Americas and Europe Branch  
David Wall Senior Analyst, Americas and Europe Branch  
Susan Creighton Senior Analyst, International Economy Branch  
Christopher Collier Senior Analyst, Southeast Asia Branch  
Marcus Lumb Senior Analyst, Southeast Asia Branch  
Simone Alesich Senior Analyst, Southeast Asia Branch  
Kevin Smith Senior Analyst, International Economy Branch

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